

PUBLIC UTILITIES BOARD OF MANITOBA

IN THE MATTER OF the *Public Utilities Board Act* (Act) of Manitoba, C.C.S.M. c.
P280; and

IN THE MATTER OF an application by Stittco Utilities Man Ltd. pursuant to Parts II
and IV of the Act for orders of the Public Utilities Board of Manitoba relating to the
non-commodity rates to be charged to propane customers in Thompson, Flin Flon, and
Snow Lake, Manitoba

STITTCO UTILITIES MAN LTD.

APPLICATION

July 15, 2021

To: Public Utilities Board
400 – 330 Portage Avenue
Winnipeg, Manitoba
R3C 0C4

APPLICATION

1. Stittco Utilities Man Ltd. (**Stittco** or **Company**) hereby applies to the Public Utilities Board of Manitoba (**Board**) for an Order fixing just and reasonable non-commodity rates for all gas customers served by Stittco, effective November 1, 2021, including:
 - (a) a determination of the non-commodity cost revenue requirement of the Company for the year ending July 31, 2021; and
 - (b) a determination of the rate base of Stittco as of July 31, 2021 (the **Application**).
2. The 2020 normalization financial reconciliation report (**2020 Normalized Report**) was filed with the Board on May 20, 2021 based on the same methodology as prior applications (i.e. normalized financials based on weather). The 2021 normalization financial reconciliation report is expected to be filed before May 2022, subject to availability of audited financial statements.

BACKGROUND

3. Stittco is a small public utility that distributes propane by pipeline to customers in Thompson, Flin Flon, and Snow Lake, Manitoba. The majority of Stittco's customers (by number) are residential and located in Thompson.
4. The Board has been approving the rates of Stittco and its predecessor company since 1963.
5. Stittco is a wholly-owned subsidiary of Superior Plus LP (**Superior**). Superior is Canada's largest distributor of propane and related products and services. It has many years of operating experience, a large, sophisticated network of infrastructure, and the proven technical capability to operate propane distribution services in a proficient and effective manner. Stittco continues to be the owner of the public utility subject to oversight by the Board.

6. The rates of the Company include commodity costs and non-commodity costs. By Order 141/08 dated October 15, 2008, the Board accepted a proposal by Stittco to establish a rate review process involving quarterly commodity rate changes (August 1, November 1, February 1, and May 1 of each year) and annual reviews of non-commodity rates.¹
7. The commodity costs include the cost of propane and expenses relating to transportation of that propane to the Stittco franchise area, both of which are reflected in rates without markup. Differences between estimated and actual commodity costs are recorded in a Purchased Propane Variance Account that is settled as part of the quarterly rate setting process established in Board Order No. 11/09.²
8. By Order No. 127/20 dated October 27, 2020, the Board finalized the interim ex parte commodity rates established in Order Nos. 159/19 (dated October 28, 2019, effective November 1, 2019), 7/20 (dated January 22, 2020, effective February 1, 2020), Order No. 64/20 (dated April 29, 2020, effective May 1, 2020), and Order No. 97/20 (dated July 29, 2020, effective August 1, 2020).³
9. As required by Order 104/19⁴, Stittco will file the information required for the quarterly commodity cost price adjustment by July 15, 2021, which will be effective August 1, 2021.
10. The most recent Board Order relating to non-commodity costs was Order 127/20, which determined the non-commodity revenue requirement of the Company, set non-commodity rates effective November 1, 2020, and approved the rate base for Stittco as of July 31, 2020.

¹ Board Order No. 141/08, page 13 of 14, section 6.0, paragraph 3.

² Board Order No. 11/09, dated February 11, 2009, page 3 of 8.

³ Board Order No. 127/20, page 22 of 25.

⁴ Board Order No. 104/19, pages 7 of 8.

FIVE-YEAR CAPITAL PLAN REPORT

11. In Order No. 169/18⁵ the Board directed Stittco to file a report regarding Stittco's five-year capital plan that reflects management's current estimates of capital expenditures over the next five years.

12. As noted in Order No. 169/18:

Through subsequent responses to the Board's information requests, Stittco advised that it was not in a position to provide detailed explanations regarding the justification and pacing of each future item included in its five year plan but clarified that decisions regarding its capital expenditures are thoroughly vetted by Superior Plus management and account for the age and condition of the assets, overall regional budget levels, and best available information. Once determined to be a prudent investment by Stittco's management, each capital investment is subsequently presented to the Board in order to seek approval for cost recovery through rates.

13. By Order No. 127/20, the Board required Stittco to continue to include revised five-year capital plans with future non-commodity cost applications.⁶

14. The content of the five-year capital plan attached hereto reflects the requirements of the Board and the approach taken by Stittco in the five-year capital plan (**2020 Capital Plan**) filed as part of its 2020 non-commodity cost application dated July 10, 2020 (**2020 Application**).

15. Since submitting the 2020 Application, Stittco revised the 2020 Capital Plan to reflect updated information and adjust to changed circumstances. Specifically:
 - (a) Fifth Rail Tower Replacement Project: The 2020 Capital Plan was updated and submitted to the Board on March 23, 2021 to reflect changed circumstances relating to the planned replacement of the fifth rail tower (the **March 2021 Update**). Specifically, as a result of COVID-19 restrictions and the associated inability to

⁵ Board Order No. 169/18, page 4 of 24.

⁶ Board Order No. 127/20, page 20 of 25.

have an engineer physically present at the site, it was necessary to defer the fifth rail tower replacement project to 2022.

However, since the March 2021 Update was submitted, Stittco determined that it is no longer appropriate to proceed with the fifth rail tower replacement project. The updated cost estimates received from vendors are significantly greater than the estimated cost identified in the 2020 Capital Plan such that the costs of the project now outweigh its benefits. Stittco has, therefore, removed the fifth rail tower replacement project from the five-year capital plan submitted with this Application.

The reliability and adequacy of supply to the Town during winter months has been mitigated as Stittco has been able to receive frequent railcars with new management oversight by Artic Gateway of Hudson Bay Railway. This increased frequency means that Stittco receives product throughout the week and alleviates the requirement to have the fifth rail tower upgraded at higher than projected costs.

- (b) Upgrades and Meter Testing/Replacement: In the March 2021 Update, Stittco advised that the upgrades and meter testing/replacement for the town meter building identified in the 2020 Capital Plan was no longer necessary. Specifically, Stittco management determined that the meter at issue is no longer used and no readings from that meter are required for billing purposes. As such, the \$40,000 originally forecasted for fiscal year 2022 has been removed from the five-year capital plan filed with this Application.
- (c) Tank Inspections: The five-year inspections on two tanks previously forecasted for 2021 have been deferred to 2022 having regard to the COVID-19 restrictions that have been in place for the majority of fiscal year 2021 which prevent third-party inspectors from travelling to the tank sites.

INTER-COMPANY CHARGES

- 16. As set out in Order 127/20, Stittco Energy is the unregulated operation which distributes propane via tanks and trucks. Stittco Energy uses Stittco facilities in its

operations and pays Stittco a product handling fee of \$4,100 per month as referenced in the original *Stittco Utilities Man Ltd. (Stittco) Fee to Stittco Energy (Stittco Energy) For Thompson Facilities* report prepared by Emerald Regulatory Services Inc. in 1998 (**Emerald Report**) Emerald Report and a site rental fee of \$200 totaling \$4,300 per month.⁷ A copy of the Emerald Report is provided with this Application.

17. In Order 127/20, the Board determined that it was appropriate to revisit the product handling fee and site rental fee that Stittco charges to Stittco Energy, ordering that:

7. In its next application to the Board for non-commodity rates, Stittco Utilities Man Ltd shall propose an updated product handling fee and site rental fee to charge to Stittco Energy for Stittco Energy's use of the regulated assets of Stittco Utilities.⁸

18. Stittco considers it appropriate to continue the methodology established in the Emerald Report for product handling and site rental fees, amounting to \$51,600 annually.
19. As set out in the Emerald Report and described in Order No. 127/20, the fees charged to Stittco Energy are based on the notional full cost of Stittco Energy owning its own storage tanks, rail unloading facilities and compressors, which includes return on capital, income tax and depreciation.⁹ Stittco charges Stittco Energy 2.8% for depreciation, which is based on full cost recovery.
20. The conclusion of the Emerald Report is that the product handling fee is reasonable (and more than compensatory) as it recovers all of the associated fixed costs, regardless of the volume of propane stored. It is Stittco's view that the currently-applied methodology and resulting fees (including the site rental fee) continue to be appropriate in the circumstances.

⁷ Board Order No. 127/20, page 16 of 25.

⁸ Board Order No. 127/20, page 23 of 25.

⁹ Board Order No. 127/20, page 16 of 25.

21. As indicated in Tab 9 of the Application Supporting Schedules (Depreciation), 2021 depreciation for (a) buildings, and (b) storage and plant amount to \$13,824 and \$68,820, respectively, based on the 2.8% depreciation rate described in the Emerald Report. Of the \$68,820 depreciation for storage and plant, \$20,567 relates to the vaporizer upgrades that were completed in 2009 and 2020. The vaporizer is not (and has never been) utilized by Stittco Energy and as such, this \$20,567 amount should be removed when calculating depreciation for the purpose of determining intercompany charges.
22. On that basis, the total depreciation for that portion of the buildings, storage and plant utilized by Stittco Energy amounts to \$62,078.
23. A comparison of the total volumes sold by each of Stittco and Stittco Energy in 2018/2019 and 2019/2020 was provided in response to question 1(c) of Information Response #2 issued to Stittco in respect of the 2020 Application. That table is updated as follows to include 2020/2021 projections:

	2018/19	2019/20	2020/21 Projected
Stittco (Utilities)	6,748,943	6,485,178	6,262,780
Stittco Energy	10,490,237	9,327,729	8,367,885
Total	17,239,180	15,812,907	14,630,665
Stittco Energy % as Total	61%	59%	57%

24. As illustrated in this table, Stittco Energy volumes amount to a three-year average of 59% of total volume throughput at the buildings, storage and plant.
25. As indicated in the Emerald Report, the fees paid by Stittco Energy to Stittco includes a component for return on equity, income tax and depreciation.
26. Assuming a static 59% volume throughput (consistent with the three-year average) and utilizing the adjusted depreciation value of \$62,078, the annual depreciation incurred by Stittco resulting from Stittco Energy's use of the buildings, storage and plant would

equate to \$36,625. This amount is more than offset by the revenues collected from Stittco Energy totaling \$51,600 annually.

27. Return on equity and income tax are currently calculated independently for both Stittco Energy and Stittco but are components that are reflected in the fees paid to Stittco by Stittco Energy as suggested by the Emerald Report. It is also noted that there is a further income tax benefit for Stittco arising from the fee collected from Stittco Energy as the associated capital cost allowance for the assets are captured thus reducing taxes payable by Stittco.
28. On the basis of the foregoing (and given that it continues to recover its full cost of providing the service to Stittco Energy), Stittco is of the view that the current methodology by which the product handling fee and site rental fee are calculated remains appropriate and that no updates to that methodology are required.

PROPOSED NON-COMMODITY RATES

29. Stittco proposes the continuation of the rate methodology established in Board Order No. 141/08 and implemented in subsequent orders, including the most recent Order 127/20. Stittco proposes the continuation of the Basic Monthly Charge of \$10.00 per month for all customers plus Monthly Delivery Charges per cubic metre, as follows.

GENERAL SERVICE RATE STRUCTURE

Basic Monthly Charge	10.00 Per Month
Non-Commodity Costs Recovery	
Delivery Charge	
FIRST 100 m ³	1.6203
NEXT 400 m ³	1.4452
NEXT 1000 m ³	1.3675
NEXT 2500 m ³	1.1080
OVER 4000 m ³	0.8498

30. The non-commodity rates proposed in this Application are calculated to recover the non-commodity costs incurred by Stittco in the provision of service. The non-commodity cost revenue requirement¹⁰ includes operating expenses,¹¹ income taxes,¹² depreciation¹³ and the allowed rate of return on rate base of 10%.¹⁴
31. In accordance with the direction of the Board in Order 127/20,¹⁵ Stittco has maintained its focus on cost control and has taken active steps to reduce operating costs or constrain operating cost increases where possible.
32. Stittco seeks approval of a 5.37% overall increase in non-commodity costs from Order 127/20. The requested increase is primarily driven by the following factors:
- (a) the increase in 2022 mid-year rate base driven by higher working capital, primarily from higher product inventory costs and lower allowance for doubtful accounts (which in turn increases working capital)
 - (b) the increase in property tax driven by an increase in the City of Thompson and school mill rates and a related reassessment of Stittco's property values received in September 2020.
33. The Stittco projected mid-year rate base for 2020 per Board Order 127/20 was \$2,815,513,¹⁶ while the actual and budgeted rate base for 2021 in the current Application is \$2,847,866.¹⁷ The projected mid-year rate base for 2022 is \$2,850,018.¹⁸
34. This projected rate base for 2022 is consistent with the budgeted rate base for 2021.¹⁹ The increase in the mid-year 2022 rate base compared to the 2021 rate based approved in Order No. 127/20 is due to a lower average mid-year net plant in service having

¹⁰ See Tab No. 2, Revenue Requirement, Schedule, Revenue Requirement Projected for Year Ending July 31, 2022.

¹¹ See Tab No. 10, Operating Expenses, Schedule, Summary of Operating Expenses Projected for Years Ending July 31, 2021/2022.

¹² See Tab No. 4, Income Tax Requirement, Schedule, Income Tax Requirement Projected for Years Ending July 31, 2021/2022.

¹³ See Tab No. 9., Depreciation Schedules, Depreciation Schedules Projected for the Years Ending July 31, 2021/2022.

¹⁴ See Tab No. 3, Income Statements, Schedule, Income Statements Projected for Years Ending July 31, 2021/2022.

¹⁵ Board Order No. 127/20, page 19 of 25.

¹⁶ Board Order 127/20, pages 13 of 25.

¹⁷ See Tab No. 3, Income Statement, Schedule, Income Statements Projected for Years Ending July 31, 2021/2022.

¹⁸ See Tab No. 3, Income Statement, Schedule, Income Statements Projected for Years Ending July 31, 2021/2022.

¹⁹ See Tab No. 6.

regard to (a) the removal of the previously planned capital expenditure associated with the fifth rail tower replacement project (previously planned for 2021), and (b) the deferral of 2021 tank inspections to 2022 as a result of COVID-19 restrictions.

35. The working capital in the mid-year 2022 rate base is also higher than the 2021 rate base approved in Order No. 127/20 as a result of:

(a) higher product cost driven by commodity pricing (see Stittco's last four commodity applications: Board Order Nos. 97/20, 127/20, 13/21 and 48/21);
and

(b) lower allowance for doubtful account balances having regard to prior year balances which was \$44,251 as noted on the 2020 Normalized Report.

36. Stittco submits that the costs described in this Application and the attachments, including operating costs (fluctuations in which are largely related to COVID-19) and decreased capital additions, are prudent, in the public interest and result in rates that are just and reasonable.

37. Superior and Stittco have long-established reputations as dependable, customer service-oriented propane suppliers, consistently honoring service and supply commitments to customers and maintaining industry-leading health, safety and environmental standards. The focus of Superior and Stittco on safety and security is the driver behind the continuing capital investments that are being made this year and into 2022.

38. The actual return earned by Stittco for fiscal year 2020 (year ending July 31, 2020) was 22.55%. Normalized (that is, adjusted to reflect normal weather), the return would have been 24.42%.²⁰ The higher than allowed return of 10% was a result of a significant reduction in income tax payable, and operating expenses that were lower than anticipated, primarily due to impacts from COVID-19.

²⁰ See Tab No. 1, Historical Earnings, Schedule.

39. As noted as part of the 2020 Normalized Report, actual income tax payable was much lower than projected due to the following circumstances:
- (a) income tax payable relative to the disposal of vaporizers was \$54,000 rather than \$200,000 as identified in Tab 5 (Capital Cost Allowance) of the 2020 Application; and
 - (b) a \$48,870 understatement in actual income tax payable relating to land value of \$180,999 which was included in Schedule 8 of Stittco's tax return. No capital cost allowance is claimed on the land value, but the inclusion of this amount in Schedule 8 of Stittco's tax return increased the ending undepreciated capital cost balance and translated into the calculation for future income tax payable (recovery). This is corrected in the 2020 tax return filing and will be reflected in the 2021 Financial Statements.
40. Based on the two income tax items identified above, the return on rate base would have been 17.41%.
41. The remaining ~7% overage in the return on rate base against the allowable return of 10% was the result of operating expenses that were unexpectedly and significantly lower than projected. Operating expenses were reduced by, among other things:
- (a) less required snow removal required given warmer winter/heating months;
 - (b) no costs incurred for updated pipeline drawings which were expected to be completed in 2020 but did not occur until 2021;
 - (c) refund received from Manitoba Public Insurance (qualification and amount not static);
 - (d) reduced bank charges resulting from selected method of payment and branch closures associated with COVID-19 restrictions; and

(e) recovery of funds from debtors in July 2020 which brought bad debt to a negative/recovery position.

42. The projected actual return on rate base for fiscal year 2021 (derived from 9 months of actual numbers and 3 months of projections) is 7.63%.²¹ The lower-than-requested allowed return of 10.00% is primarily due to volume gap of 457,000 litres against forecast as impacted by warmer temperatures and COVID-19 implications for businesses.
43. In Order 127/20, the Board considered the existing allowed rate of return on rate base of 10% and approved rates that included that rate of return.²²
44. Stittco does not seek an increase in its allowed rate of return of 10%. By law,²³ and the stand alone principle, the equity investors in Stittco are entitled to a return that is equivalent to the returns available from investing in enterprises of similar risk. The range of rates of return awarded to natural gas utilities much larger and significantly less risky than Stittco is from 8.50% for Alberta utilities²⁴ to 10.1% for Group 1 natural gas pipelines regulated by the Canada Energy Regulator.²⁵ Stittco continues to hold the view that its investment risk justifies a rate of return on rate base (which is entirely financed by equity) that is significantly higher than the approved 10%. However, the Company is rate constrained because it operates in a very competitive market in a small service area where it faces primary competition from electricity. A higher rate of return would increase the non-competitiveness of Stittco's rates.

²¹ See Tab No. 3, Income Statement, Schedule, Income Statements Projected for Years Ending July 31, 2021/2022.

²² Order No. 127/20, Section 6.0, page 19 of 25.

²³ See, e.g. *Northwestern Utilities Limited v. City of Edmonton*, [1929] S.C.R. 186; *TransCanada PipeLines Limited v. National Energy Board et al.*, 2004 FCA 149.

²⁴ Alberta Utilities Commission Decision 24110- D01-2020, 2021 Generic Cost of Capital, October 13, 2020, para 1.

²⁵ See, for example, National Energy Board Reasons for Decision, TransCanada PipeLines Limited, RH-001-2014, 2015-2030 Tolls and Tariff Application, December 2014, Chapter 7: Risks and rewards, page 87. See Westcoast Energy Inc. dba Spectra Energy Transmission Application for Approval of 2018 and 2019 Transmission Toll Settlement, page 7 [WC 2018-2019 Toll Application]. See also National Energy Board Order TG-006-2018 approving WC 2018-2019 Toll Application.

45. Stittco requests that this Application be handled in writing with email correspondence as per the contact information below.
46. Attached is a proposed notice to customers for review and consideration by the Board prior to it being sent to Stittco customers.

WHEREFORE, Stittco requests an Order of the Board:

- (a) fixing just and reasonable non-commodity rates for all gas customers served by Stittco, effective November 1, 2021, including:
 - (i) approval of the non-commodity cost revenue requirement of the Company as proposed in this Application; and
 - (ii) approval of the projected rate base of \$2,850,018 for Stittco as of July 31, 2021; and
- (b) providing such other relief as Stittco may request or the Board may consider appropriate.

All of which is respectfully submitted this 15th day of July, 2021.

Stittco Utilities Man Ltd.

Per: _____

Michael Doyle

Communications relating to this Application should be directed to:

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and to

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STITTCO UTILITIES MAN LTD.

Customer Notification

Stittco Utilities Man Ltd. has filed an application with the Manitoba Public Utilities Board requesting a rate decrease for the yearly non-commodity costs as established in Board Order 127/20. The overall requested increase in non-commodity costs is 0.55%. Stittco is not requesting any change to the rate of return on rate base.

Should additional information be required, please contact your local office at (204) 677-2304, or customers may contact The Public Utilities Board at:

400 – 330 Portage Avenue

Winnipeg, MB R3C 0C4

Telephone: (204) 945-2638

Facsimile: (204) 945-2643

Toll Free: 1-866-854-3698

Email: publicutilities@gov.mb.ca

**STITTCO UTILITIES MAN LTD.
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APPLICATION**

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TAB NO. 1

HISTORICAL EARNINGS

YEAR	MID-YEAR RATE BASE	ACTUAL RETURN	ACTUAL RETURN	NORMALIZED RETURN	ALLOWED RETURN
1984	\$1,496,193	\$16,756	1.12%	6.00%	12.25%
1985	\$1,744,082	\$134,949	7.74%	7.85%	13.75%
1986	\$1,635,439	\$209,853	12.83%	13.17%	13.75%
1987	\$1,473,205	\$134,529	9.13%	12.90%	13.75%
1988	\$1,496,963	\$115,922	7.74%	10.13%	13.75%
1989	\$1,501,948	\$231,257	15.40%	16.36%	13.75%
1990	\$1,565,802	\$232,851	14.87%	14.57%	13.75%
1991	\$1,680,332	\$107,171	6.38%	7.02%	13.75%
1992	\$1,922,222	\$186,471	9.70%	9.73%	13.75%
1993	\$2,199,789	\$196,083	8.91%	9.99%	13.75%
1994	\$2,214,616	\$202,893	9.16%	7.64%	13.75%
1995	\$2,136,964	\$159,392	7.46%	9.19%	13.75%
1996	\$2,166,767	\$307,970	14.21%	12.49%	13.75%
1997	\$2,317,714	\$223,207	9.63%	8.75%	13.75%
1998	\$2,159,054	\$68,968	3.19%	5.18%	13.75%
1999	\$2,002,605	\$103,706	5.18%	8.96%	10.89%
2000	\$2,004,411	\$187,564	9.36%	11.32%	10.89%
2001	\$2,285,548	\$155,238	6.79%	7.78%	10.89%
2002	\$2,073,547	\$108,883	5.25%	6.04%	10.89%
2003	\$2,039,653	\$223,741	10.97%	11.92%	10.83%
2004	\$1,897,533	\$169,904	8.95%	10.29%	10.83%
2005	\$1,929,813	\$83,480	4.33%	4.76%	10.83%
2006	\$1,937,865	-\$93,102	-4.80%	0.03%	10.83%
2007	\$1,927,450	-\$88,036	-4.57%	-0.81%	10.00%
2008	\$2,138,168	-\$11,520	-0.54%	-1.99%	10.00%
2009	\$2,009,574	\$112,030	5.57%	4.10%	10.00%
2010	\$1,980,700	-\$160,751	-8.12%	-0.48%	10.00%
2011	\$2,051,484	\$111,698	5.44%	6.72%	10.00%
2012	\$1,953,864	\$67,310	3.44%	10.02%	10.00%
2013	\$1,733,284	\$258,248	14.90%	13.78%	10.00%
2014	\$1,745,302	\$150,468	8.62%	3.05%	10.00%
2015	\$1,556,473	\$107,523	6.91%	5.91%	10.00%
2016	\$1,808,243	\$157,230	8.70%	13.99%	10.00%
2017	\$2,324,873	-\$147,889	-6.36%	-4.35%	10.00%
2018	\$2,377,585	\$149,533	6.29%	7.17%	10.00%
2019	\$2,329,073	\$197,232	8.47%	6.93%	10.00%
2020	\$2,347,109	\$529,390	22.55%	24.42%	10.00%

TAB NO. 2

REVENUE REQUIREMENT

Tab #2

**STITTCO UTILITIES MAN LTD
REVENUE REQUIREMENT
PROJECTED FOR YEARS ENDING
JULY 31, 2021**

	PUB ORDER NO. 127/20	2022 PROJECTED
TOTAL PROJECTED VOLUMES, LITRES		
Sales	6,708,000	6,459,000
Purchases	6,876,000	6,621,000
Cost, \$/M3	\$292.06	\$347.81
PROPANE REVENUE REQUIREMENT		
Balance PPVA		
Cost Of Product	\$ 2,008,204	\$ 2,302,690
TOTAL C3 REV REQ'D	\$ 2,008,204	\$ 2,302,690
RATE BASE		
Mid-Year Rate Base	\$ 2,815,513	\$ 2,850,018
DISTRIBUTION REVENUE REQUIREMENT		
Other Cost Of Sales	\$ 75,175	\$ 75,175
Operating Expenses	\$ 1,876,776	\$ 1,887,151
Depreciation	\$ 119,756	\$ 134,951
Accretion	\$ 10,277	\$ 10,534
Return On Rate Base @ 10.00%	\$ 281,551	\$ 285,002
Income Tax Requirement	\$ 117,019	\$ 123,704
Other Income	-\$ 218,600	-\$ 218,600
	\$ 2,261,954	\$ 2,297,918
Annual % Change		1.6%
REVENUE REQUIRED FROM COMMODITY		\$ 2,302,690
REVENUE REQUIRED FROM YEARLY BILLS		\$ 89,940
REVENUE REQUIRED FROM NON-COMMODITY		\$ 2,207,978
REVENUE FROM REQUESTED GAS RATES		\$ 2,207,978
REVENUE FROM GAS RATES		\$ 2,207,978

TAB NO. 3

INCOME STATEMENT

STITTCO UTILITIES MAN LTD
INCOME STATEMENTS
PROJECTED FOR YEARS ENDING
JULY 31, 2021-2022

	PUB ORDER NO. 127/20	2021 9 MONTHS ACTUAL 3 MONTHS BUDGET	2022 PROJECTED
PROPANE SALES VOL, LITRES			
Residential	1,526,000	1,400,000	1,463,000
Commercial	5,183,000	4,862,000	4,996,000
TOTAL SALES VOLUME	6,708,000	6,263,000	6,459,000
TOTAL PROPANE PURCHASED	6,876,000	6,419,000	6,621,000
UNIT PROPANE COST \$/LITRE	\$0.29	\$0.35	\$0.35
REVENUE			
Gas Sales Non Commodity	\$2,261,954	2,035,859	\$2,297,918
Gas Sales	2,008,204	2,248,753	\$2,302,690
Appl & Mat'l Sales	97,000	\$120,853	\$97,000
Service Revenue	30,000	\$46,572	\$30,000
Stittco Energy Rev	51,600	\$51,600	\$51,600
Other Revenue	40,000	\$40,379	\$40,000
TOTAL REVENUE	\$4,488,759	\$4,544,015	\$4,819,208
EXPENSES			
Actual Cost Of Propane	\$2,008,204	\$2,248,753	\$2,302,690
Other Cost Of Sales	75,175	\$94,739	\$75,175
Operating Expenses	1,876,776	\$1,763,499	\$1,887,151
Depreciation	119,756	\$117,409	\$134,951
Accretion	10,277	\$10,277	\$10,534
TOTAL EXPENSES	\$4,090,188	\$4,234,676	\$4,410,502
OPER INCOME B/TAX	398,570	\$309,339	\$408,706
Income Tax Payable	117,019	\$92,158	\$123,704
NET INCOME (RETURN)	281,551	\$217,181	\$285,002
MID YEAR RATE BASE	\$2,815,513	\$2,848,228	\$2,850,018
RETURN ON RATE BASE	10.00%	7.63%	10.00%

TAB NO. 4

INCOME TAX REQUIREMENT

Tab #4

**STITTCO UTILITIES MAN LTD.
INCOME TAX REQUIREMENT
PROJECTED FOR YEARS ENDING
JULY 31, 2021/2022**

	2020/2021 PROJECTED	2021/2022 PROJECTED
OPERATING INCOME	\$309,339	\$408,706
ADD DEPRECIATION	\$117,409	\$134,951
ADD ACCRETION	\$10,277	\$10,534
LESS CCA	\$95,700	\$96,028
TAXABLE INCOME	<u>\$341,324</u>	<u>\$458,163</u>
TAX @ 27.00%	<u>\$92,158</u>	<u>\$123,704</u>
CALCULATED INCOME TAX	<u>\$92,158</u>	<u>\$123,704</u>

TAB NO. 5

CAPITAL COST ALLOWANCES

**STITCO UTILITIES MAN LTD
CAPITAL COST ALLOWANCE
PROJECTED FOR YEAR ENDING 31 JULY 2021**

CLASS NO.	RATE %	UCC 1 AUG 2020	ADDITIONS	ADJUST	LESSER OF COST OR PROCEEDS	CCA	UCC 31 JUL 2021
1	4%	\$1,307,428	\$21,390	\$0	\$0	\$52,725	\$1,276,094
2	6%	\$254,701	\$0	\$0	\$0	\$15,282	\$239,419
6	10%	\$18,432	\$0	\$0	\$0	\$1,843	\$16,589
8	20%	\$27,771	\$43,014	\$0	\$0	\$9,856	\$60,930
9	25%	-	\$0	\$0	\$0	\$0	\$0
10	30%	\$13,206	\$0	\$0	\$0	\$3,962	\$9,243
10.1	30%	\$1	\$0	\$0	\$0	\$0	\$1
38	30%	\$11,322	\$0	\$0	\$0	\$3,397	\$7,926
50	50%	\$8	\$0	\$0	\$0	\$4	\$4
17	8%	\$107,891	\$0	\$0	\$0	\$8,631	\$99,260
		\$1,740,761	\$64,405	\$0	\$0	\$95,700	\$1,709,465

**STITCO UTILITIES MAN LTD
CAPITAL COST ALLOWANCE
PROJECTED FOR YEAR ENDING 31 JULY 2022**

CLASS NO.	RATE %	UCC 1 AUG 2021	ADDITIONS	ADJUST	LESSER OF COST OR PROCEEDS	CCA	UCC 31 JUL 2022
1	4%	\$1,276,094	\$65,000	\$0	\$0	\$52,344	\$1,288,750
2	6%	\$239,419	\$0	\$0	\$0	\$14,365	\$225,054
6	10%	\$16,589	\$0	\$0	\$0	\$1,659	\$14,930
8	20%	\$60,930	\$5,000	\$0	\$0	\$12,686	\$53,244
9	25%	-	\$0	\$0	\$0	\$0	\$0
10	30%	\$9,243	\$81,270	\$0	\$68,730	\$4,654	\$85,858
10.1	30%	\$1	\$0	\$0	\$0	\$0	\$1
38	30%	\$7,926	\$0	\$0	\$0	\$2,378	\$5,548
50	50%	\$4	\$0	\$0	\$0	\$2	\$2
17	8%	\$99,260	\$0	\$0	\$0	\$7,941	\$91,319
		\$1,709,465	\$151,270	\$0	\$68,730	\$96,028	\$1,764,705

TAB NO. 6

RATE BASE

STITTCO UTILITIES MAN LTD
RATE BASE
PROJECTED FOR YEARS ENDING
JULY 31, 2021/2022

	PUB ORDER NO. 127/20	2021 PROJECTED	2022 PROJECTED
PLANT IN SERVICE			
Beginning Year Balance	\$6,392,435	\$6,392,434	\$6,456,838
Additions, Net	\$203,395	\$64,405	\$151,270
End Of Year Balance	\$6,595,830	\$6,456,838	\$6,608,108
Average, Mid-year	\$6,494,132	\$6,424,636	\$6,532,473
ACCUMULATED DEPRECIATION			
Beginning Year Balance	\$4,325,654	\$4,325,654	\$4,443,063
Additions, Net	\$119,756	\$117,409	\$134,951
End Of Year Balance	\$4,445,410	\$4,443,063	\$4,578,014
Average, Mid-year	\$4,385,532	\$4,384,359	\$4,510,539
AVERAGE MID-YEAR NET PLANT IN SERVICE	\$2,108,600	\$2,040,277	\$2,021,934
WORKING CAPITAL	\$706,913	\$807,951	\$828,084
MID-YEAR RATE BASE	\$2,815,513	\$2,848,228	\$2,850,018

TAB NO. 7

WORKING CAPITAL

Tab #7

**STITTCO UTILITIES MAN LTD
WORKING CAPITAL
PROJECTED FOR YEARS ENDING
JULY 31, 2021/2022**

	PUB ORDER NO. 127/20	2021 PROJECTED	2022 PROJECTED
PRODUCT INVENTORY	\$247,433	\$296,781	\$294,663
MATERIAL INVENTORY			
Average Monthly Balance	\$102,500	\$84,358	\$85,167
ACCOUNTS RECEIVABLE ARREARS			
Average Monthly Balance	\$156,250	\$204,411	\$205,500
ACCOUNTS RECEIVABLE PREPAYMENTS			
Average Monthly Balance	-\$104,167	-\$115,575	-\$116,167
CONDITIONAL SALES CONTRACTS			
Average Monthly Balance	-	-	-
ALLOWANCE FOR DOUBTFUL ACCOUNTS			
Average Monthly Balance	-\$77,000	-\$44,167	-\$45,000
CASH WORKING CAPITAL			
(a) 1/8 of Operating Expenses	\$234,597	\$220,437	\$235,894
(b) 25/365 of Product Purchases	\$137,548	\$154,024	\$157,719
INCOME TAX			
1/12 of Income Tax	\$9,752	\$7,680	\$10,309
TOTAL	\$706,913	\$807,951	\$828,084

TAB NO. 8

FIXED ASSET SCHEDULES

STITTCO UTILITIES MAN LTD
FIXED ASSET SCHEDULE
PROJECTED FOR THE YEAR ENDING 31 JULY 2021

DESCRIPTION	BALANCE	ADJUST- MENTS	ADDITIONS	DISPOSALS	BALANCE
	1 AUG 2020				31 JUL 2021
ASSET RETIREMENT	\$222,530				\$222,530
LAND	\$145,729				\$145,729
BUILDINGS	\$493,722				\$493,722
STORAGE & PLANT	\$2,122,142		\$21,390		\$2,143,532
PLANT SITE IMPROVEMENTS	\$557,926				\$557,926
SPUR TRACK	\$10,795				\$10,795
MAINS	\$1,160,362		24,540		\$1,184,902
SERVICES	\$960,140				\$960,140
METERS	\$295,494		18,474		\$313,968
OFFICE EQUIP	\$64,976				\$64,976
COMPUTER EQUIPMENT	\$32,650				\$32,650
TRANS EQUIP	\$108,736				\$108,736
HEAVY WORK EQUIPMENT	\$91,604				\$91,604
TOOLS & EQUIP	\$113,633				\$113,633
COMMUNICATIONS	\$11,996				\$11,996
TOTAL PLANT IN SERVICE	\$6,392,434	\$0	\$64,405	\$0	\$6,456,838

Tab #8

**STITTCO UTILITIES MAN LTD
FIXED ASSET SCHEDULE
PROJECTED FOR THE YEAR ENDING 31 JULY 2022**

DESCRIPTION	BALANCE	ADJUST- MENTS	ADDITIONS	DISPOSALS	BALANCE
	1 AUG 2021				31 JUL 2022
ASSET RETIREMENT	\$222,530				\$222,530
LAND	\$145,729				\$145,729
BUILDINGS	\$493,722				\$493,722
STORAGE & PLANT	\$2,143,532		\$65,000		\$2,208,532
PLANT SITE IMPROVEMENTS	\$557,926				\$557,926
SPUR TRACK	\$10,795				\$10,795
MAINS	\$1,184,902		5,000		\$1,189,902
SERVICES	\$960,140				\$960,140
METERS	\$313,968				\$313,968
OFFICE EQUIP	\$64,976				\$64,976
COMPUTER EQUIPMENT	\$32,650		50,000		\$82,650
TRANS EQUIP	\$108,736		100,000	\$68,730	\$140,006
HEAVY WORK EQUIPMENT	\$91,604				\$91,604
TOOLS & EQUIP	\$113,633				\$113,633
COMMUNICATIONS	\$11,996				\$11,996
TOTAL PLANT IN SERVICE	\$6,456,838	\$0	\$220,000	\$68,730	\$6,608,108

TAB NO. 9

DEPRECIATION SCHEDULES

Tab #9

**STITTCO UTILITIES MAN LTD
ACCUMULATED DEPRECIATION SCHEDULE
PROJECTED FOR THE YEAR ENDING 31 JULY 2021**

DESCRIPTION	BALANCE 1 AUG 2020	ADJUST- MENTS	DEPR RATE	2021 DEPR	BALANCE 31 JUL 2021
ASSET RETIREMENT	\$222,530				\$222,530
LAND	\$0		0.00%	\$0	\$0
BUILDINGS	\$403,998		2.80%	\$13,824	\$417,822
STORAGE & PLANT	\$868,028		2.80%	\$68,789	\$936,816
PLANT SITE IMPROVE	\$105,712		2.80%	\$15,622	\$121,334
SPUR TRACK	\$10,794		2.80%		\$10,794
MAINS	\$1,137,077		2.80%	\$3,413	\$1,140,490
SERVICES	\$960,139		2.80%		\$960,139
METERS	\$203,186		2.80%	\$8,478	\$211,664
OFFICE EQUIPMENT	\$64,975		10.00%		\$64,975
COMPUTER EQUIPMENT	\$32,650		20.00%		\$32,650
TRANS EQUIP	\$113,043		24.00%		\$113,043
HEAVY WORK EQUIPMENT	\$79,964		20.00%	\$5,372	\$85,337
TOOLS & EQUIP	\$111,563		20.00%	\$1,910	\$113,473
COMMUNICATIONS	\$11,996		10.00%		\$11,996
TOTAL	\$4,325,654	\$0		\$117,409	\$4,443,063

Tab #9

STITTCO UTILITIES MAN LTD
ACCUMULATED DEPRECIATION SCHEDULE
PROJECTED FOR THE YEAR ENDING 31 JULY 2022

DESCRIPTION	BALANCE 1 AUG 2021	ADJUST- MENTS	DEPR RATE	2022 DEPR	BALANCE 31 JUL 2022
ASSET RETIREMENT	\$222,530				\$222,530
LAND	\$0		0.00%		\$0
BUILDINGS	\$417,822		2.80%	\$13,824	\$431,646
STORAGE & PLANT	\$936,816		2.80%	\$70,009	\$1,006,825
PLANT SITE IMPROVE	\$121,334		2.80%	\$15,622	\$136,955
SPUR TRACK	\$10,794		2.80%		\$10,794
MAINS	\$1,140,490		2.80%	\$4,228	\$1,144,718
SERVICES	\$960,139		2.80%		\$960,139
METERS	\$211,664		2.80%	\$8,737	\$220,401
OFFICE EQUIPMENT	\$64,975		10.00%		\$64,975
COMPUTER EQUIPMENT	\$32,650		20.00%	\$5,000	\$37,650
TRANS EQUIP	\$113,043		24.00%	\$12,000	\$125,043
HEAVY WORK EQUIPMENT	\$85,337		20.00%	\$5,372	\$90,709
TOOLS & EQUIP	\$113,473		20.00%	\$159	\$113,633
COMMUNICATIONS	\$11,996		10.00%	\$0	\$11,996
TOTAL	\$4,443,063	\$0		\$134,951	\$4,578,014

TAB NO. 10

OPERATING EXPENSES

**STITCO UTILITIES MAN LTD
SUMMARY OF OPERATING EXPENSES
PROJECTED FOR YEARS ENDING
JULY 31, 2021/2022**

	PUB ORDER NO. 127/20	2021 9 MONTHS ACTUAL 3 MONTHS BUDGET	2022 PROJECTED
WAGES & BENEFITS	\$877,735	\$829,522	\$854,556
MATERIALS & SUPPLIES	\$47,000	\$51,319	\$45,500
CONTRACT SERVICES	\$143,576	\$94,747	\$146,753
OTHER OPERATING COSTS	\$119,547	\$107,807	\$126,237
AUTOMOTIVE	\$83,775	\$64,293	\$86,957
INSURANCE	\$14,400	\$17,403	\$17,460
PROPERTY TAXES	\$130,561	\$147,053	\$149,994
ADMINISTRATIVE & GENERAL	\$259,100	\$262,408	\$257,500
TOTAL DIRECT OPERATING EXPENSES	\$1,675,693	\$1,574,552	\$1,684,957
 ADMINISTRATION FEE	 \$201,083	 \$188,946	 \$202,195
 TOTAL OPERATING EXPENSES	 \$1,876,776	 \$1,763,499	 \$1,887,151
			0.55%

KEY ASSUMPTIONS FOR 2022 PROJECTED COSTS AGAINST PUB ORDER NO. 127/20:

1. Lower Wages & Benefits expected to bring other employee benefits in line with prior year trends
2. Material and Supplies expected to remain effectively consistent
3. Contract services to increase based on 2020 actuals based on some increased office and plant expenditures driven by COVID-19 implications
4. Other Operating Costs expected to remain effectively consistent
5. Automotive higher due to aging fleet leading to continued maintenance
6. Insurance to increase to reflect insurance allocation from Superior Plus Corp.
7. Property Tax expected to increase driven from a reassessment of property values and an increase in both the city and school mill rates (as indicated by the City of Thompson)
8. Admin & General to remain consistent with an increase in consulting fees offset by a reduction in bad debt

STITTCO UTILITIES MAN LTD
DETAILED OPERATING EXPENSES
PROJECTED FOR YEARS ENDING
JULY 31, 2021/2022

	PUB ORDER NO. 127/20	2021 9 MONTHS ACTUAL 3 MONTHS BUDGET	2022 PROJECTED
WAGES			
Regular	\$712,060	\$676,329	\$689,856
Overtime	\$25,000	\$19,916	\$25,000
Casual	\$0	\$0	\$0
	<u>\$737,060</u>	<u>\$696,245</u>	<u>\$714,856</u>
EMPLOYEE BENEFITS			
Canada Pension	\$26,100	\$30,215	\$30,200
Employment Insurance	\$7,700	\$8,006	\$8,500
Workers' Compensation	\$2,300	\$2,318	\$2,300
Life Insur, Medical & Dental	\$32,550	\$30,975	\$33,680
Employee Pension Plan	\$32,025	\$30,363	\$33,120
Other Employee Benefits	\$40,000	\$31,400	\$31,900
Total Employee Benefits	<u>\$140,675</u>	<u>\$133,277</u>	<u>\$139,700</u>
TOTAL WAGES AND BENEFITS	<u>\$877,735</u>	<u>\$829,522</u>	<u>\$854,556</u>
MATERIALS & SUPPLIES			
Employee Material	\$3,500	\$3,407	\$3,500
Tools & Equipment	\$2,500	\$1,752	\$2,500
Office Supplies	\$16,000	\$23,389	\$16,000
Plant Materials	\$20,000	\$17,742	\$18,000
Main & Service Line Materials	\$4,000	\$5,030	\$5,000
Meters and Regs	\$1,000	\$0	\$500
Other Distribution	-	-	-
TOTAL MATERIAL & SUPPLIES	<u>\$47,000</u>	<u>\$51,319</u>	<u>\$45,500</u>
CONTRACT SERVICES			
Office	\$22,000	\$21,481	\$23,500
Plant	\$21,000	\$13,518	\$22,000
Pipelines	\$15,000	\$3,634	\$5,000
Meters & Regulators	\$15,000	-\$5,045	\$28,000
Stittco Contract Services	\$70,576	\$61,159	68,253
TOTAL CONTRACT SERVICES	<u>\$143,576</u>	<u>\$94,747</u>	<u>\$146,753</u>
OTHER OPERATING COSTS			
Leak Surveys	\$70,000	\$66,911	\$70,000
Rentals	\$12,000	\$11,739	\$12,000
Vaporizer Consumption	\$35,047	\$26,585	\$41,737
Product Loss	-	\$0	-
Obsolete Material Write Off	\$2,500	\$2,572	\$2,500
Switch & Detention	-	-	-
TOTAL OTHER COSTS	<u>\$119,547</u>	<u>\$107,807</u>	<u>\$126,237</u>

**STITCO UTILITIES MAN LTD
 DETAILED OPERATING EXPENSES
 PROJECTED FOR YEARS ENDING
 JULY 31, 2021/2022**

	PUB ORDER NO. 127/20	2021 9 MONTHS ACTUAL 3 MONTHS BUDGET	2022 PROJECTED
AUTOMOTIVE			
Maintenance	\$43,200	\$30,191	\$45,000
Fuel	\$28,075	\$22,344	\$29,957
Auto Lease	\$0	\$0	\$0
Licenses & Insurance	\$12,500	\$11,757	\$12,000
TOTAL AUTOMOTIVE	\$83,775	\$64,293	\$86,957
INSURANCE	\$14,400	\$17,403	\$17,460
PROPERTY TAXES	\$130,561	\$147,053	\$149,994
ADMINISTRATIVE & GENERAL			
Bank Charges	\$29,000	\$22,385	\$27,000
Safety & Branch Mtgs	\$3,000	\$1,153	\$3,000
Freight & Express	\$4,500	\$5,275	\$8,000
Memberships, Sub, Permits Etc	\$5,000	\$2,216	\$2,500
Postage	\$18,500	\$16,748	\$18,500
Consulting Fees	\$20,000	\$51,204	\$50,000
Public Utility Board Costs	\$2,000	\$2,000	\$2,000
Sales Promotion	\$3,500	\$0	\$3,500
Advertising	\$6,500	\$2,348	\$2,500
Telephone	\$13,000	\$12,861	\$13,000
Training	\$6,000	\$5,818	\$10,000
Travel & Entertainment	\$10,500	\$1,009	\$10,500
Bad Debt	\$40,000	\$14,966	\$20,000
Utilities	\$20,000	\$57,172	\$20,000
Manitoba Payroll Tax	\$17,000	\$16,011	\$17,000
Legal Fees	\$40,000	\$31,241	\$30,000
Audit Fees	\$20,600	\$20,000	\$20,000
TOTAL ADMIN	\$259,100	\$262,408	\$257,500
TOTAL DIRECT OPERATING EXPENSES	\$1,675,693	\$1,574,552	\$1,684,957
ADMINISTRATION FEE	\$201,083	\$188,946	\$202,195
TOTAL OPERATING EXPENSES	\$1,876,776	\$1,763,499	\$1,887,151